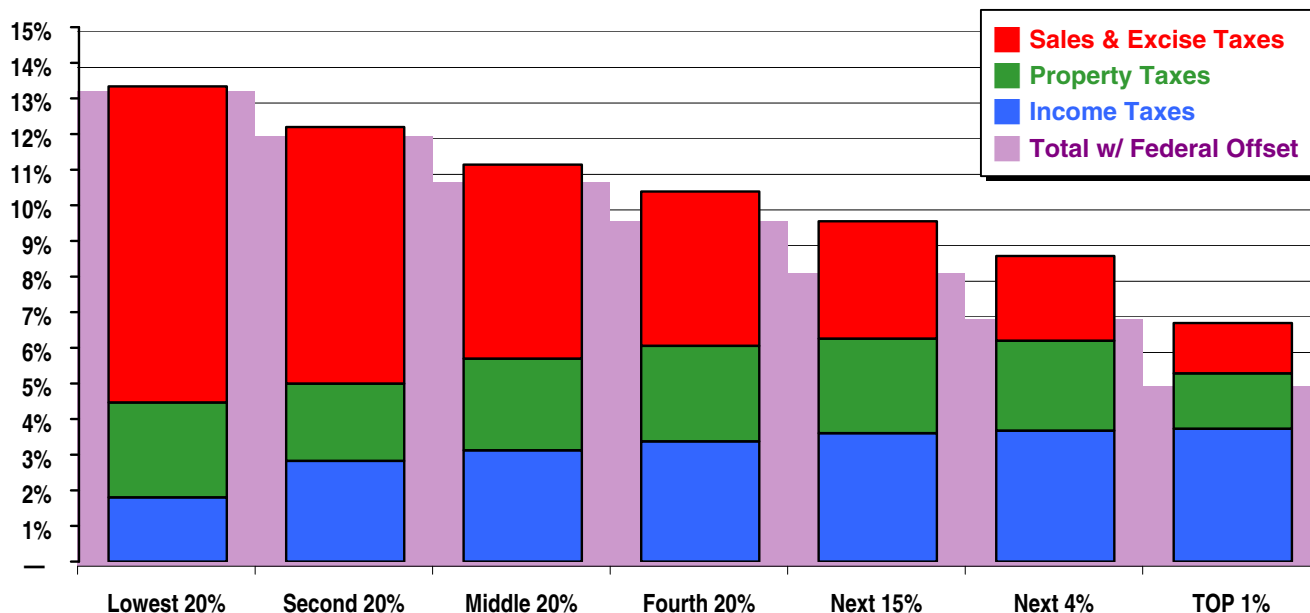


Michigan

State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$16,000	\$16,000 – \$29,000	\$29,000 – \$48,000	\$48,000 – \$76,000	\$76,000 – \$139,000	\$139,000 – \$278,000	\$278,000 or more
Average Income in Group	\$8,900	\$22,000	\$37,600	\$60,700	\$98,100	\$178,400	\$828,000
Sales & Excise Taxes	8.9%	7.2%	5.5%	4.3%	3.3%	2.4%	1.4%
General Sales—Individuals	3.0%	2.7%	2.1%	1.7%	1.3%	0.9%	0.6%
Other Sales & Excise—Ind.	3.8%	2.7%	2.0%	1.5%	1.1%	0.7%	0.3%
Sales & Excise on Business	2.0%	1.8%	1.4%	1.1%	0.9%	0.7%	0.5%
Property Taxes	2.7%	2.2%	2.6%	2.7%	2.7%	2.5%	1.6%
Property Taxes on Families	2.6%	2.1%	2.5%	2.6%	2.5%	2.2%	0.9%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.1%	0.3%	0.7%
Income Taxes	1.8%	2.8%	3.1%	3.4%	3.6%	3.7%	3.7%
Personal Income Tax	1.8%	2.8%	3.1%	3.4%	3.6%	3.7%	3.7%
Corporate Income Tax	—	—	—	—	—	—	—
TOTAL TAXES	13.3%	12.2%	11.1%	10.4%	9.6%	8.6%	6.7%
Federal Deduction Offset	-0.0%	-0.1%	-0.4%	-0.7%	-1.3%	-1.6%	-1.7%
TOTAL AFTER OFFSET	13.3%	12.1%	10.8%	9.7%	8.2%	6.9%	5.0%

Note: Table shows 2002 tax law at 2000 income levels.

Michigan Details

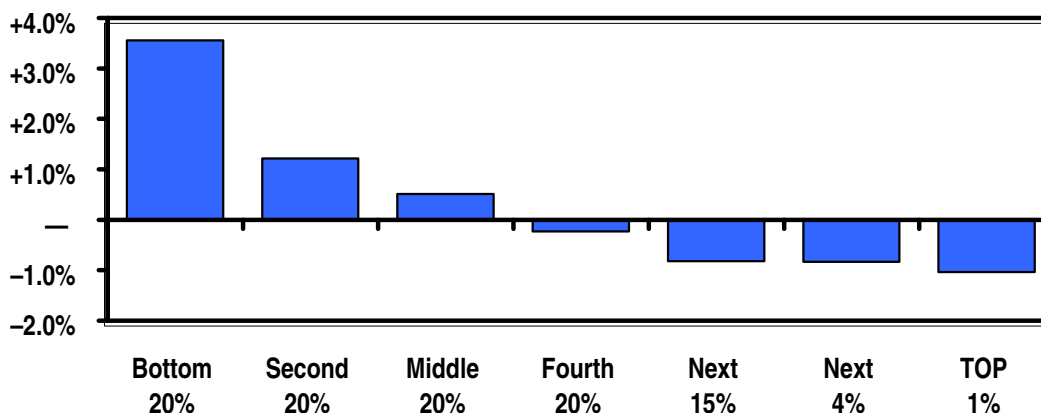
Progressive Features

- ✓ Personal exemptions indexed
- ✓ Property tax "circuit breakers"

Regressive Features

- ✗ Flat-rate income tax
- ✗ Comparatively high cigarette tax

Changes in Tax as Share of Income, 1989 - 2002

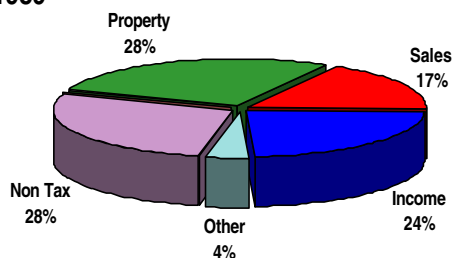


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+2.2%	+1.3%	+0.9%	+0.7%	+0.5%	+0.3%	+0.2%
Property	+1.4%	+0.2%	+0.1%	-0.4%	-0.9%	-0.9%	-0.8%
Income	+0.0%	-0.3%	-0.4%	-0.5%	-0.5%	-0.5%	-0.4%
Federal Offset	-0.0%	-0.0%	-0.0%	-0.0%	+0.1%	+0.3%	-0.1%
Overall Change	+3.6%	+1.2%	+0.5%	-0.2%	-0.8%	-0.8%	-1.0%

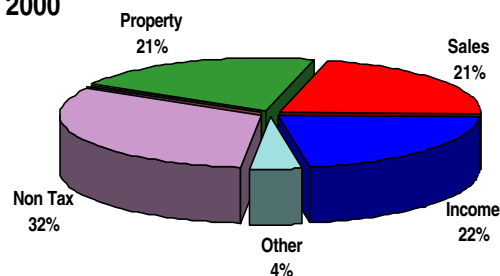
In 1994 Michigan voters approved a 2 percent sales tax hike to replace local property tax revenues. The impact of this regressive tax hike was compounded by a series of income tax rate cuts which will eventually drop the flat tax rate from 4.6 percent to 3.9 percent, and the repeal of Michigan's intangible property tax. The state cigarette tax was increased by \$1 a pack during the decade. While personal exemption increases provided some low-income tax relief, the net impact of these changes was a regressive "tax swap". The scheduled 2009 repeal of the state's "Single Business Tax" will leave Michigan without a major corporate tax.

Composition of Revenues

1989



2000



Source: Government Finances, US Department of Census